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# Republican Policy Committee

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## **Every Four Years, Clinton's Deficit Elimination Promise**

### **Clinton's Bad-Faith Budget Strategy**

While President Clinton's last budget seemed on first glance to be a direct reversal from his earlier opposition to a balanced budget, it is in fact a continuation of the opposition that he has maintained throughout his presidency. Clinton's last budget offered on January 6 finally met the letter of his commitment to submit a CBO-scored seven-year balanced budget, but fell far short of meeting the spirit of credibly balancing the federal budget in seven years. The result is a budget that manages to claim balance only by relying on the flimsiest and most optimistic of assumptions.

The Clinton record has been one of determination to oppose a real balanced budget, demonstrated by his failure to produce one until election year 1996, despite having promised one since election year 1992, and further by his having failed in every year of his presidency and four times in 1995 alone to produce one. This shows that nothing has changed except his decision to try and hide the fact behind the gossamer of nominal balance.

Balancing the budget is not a one-time thing as Clinton's budget aims to do. Balancing the budget is a fundamental, permanent reform in how Washington works, not a temporary reshuffling of budget numbers to achieve temporary balance. To accomplish fundamental reform of the whole, we must first fundamentally reform the parts that constitute it. The failure to do this, or to even attempt it, is the overall failure of Clinton's last budget.

### **The Fundamental Problems With Clinton's Last Budget**

- ▶ **His last budget leaves in place the deficit status quo over its first five years.** The deficit would only decline from \$153 billion to \$110 billion in FY 2000 — just \$43 billion, or just 28 percent. In comparison, the proposal by the leaders in Congress cuts the deficit in half — \$151 billion in FY 1996 to \$73 billion in FY 2000.
- ▶ **Clinton thus is banking on a precipitous and unrealistic level of reduction over the last two years** — \$110 billion or 72 percent, which is well over twice the level his budget would achieve over the entire FY 1996-2000 period. Remember, Clinton opposed the seven-year deficit elimination strategy initially because he felt it reduced spending too dramatically too quickly.

- ▶ **He offers no reform.** Clinton has explicitly said that the battle is more over principle than numbers now. Congress' principles embody reform — such as state flexibility, consumer choice in Medicare, and turning Medicaid over to the states. Without reforming how Washington spends, achieving, must less sustaining, a balanced budget over any period of time will be impossible.
  - He has no welfare reform. The president, who campaigned on a platform of ending welfare as we know it, has a budget that is still more than \$20 billion shy of Congress' bipartisan total, which he endorsed when welfare reform passed the Senate 87-12.
- ▶ **Most of Clinton's supposed deficit reduction takes place in discretionary accounts,** despite fact that mandatory spending is the problem and that virtually all his initiatives are in discretionary spending — such as education, environment, and Americorps.
- ▶ **He has no tax cut to speak of,** despite his own admission last October in Houston that he raised taxes too much in 1993, and despite his 1992 campaign promise to provide a tax cut for the middle class. His last plan raises \$60 billion more in new taxes and produces a net tax cut of only \$24 billion.
  - Congress' latest tax cut offer is \$177 billion — just half of the original Contract With America total.
  - Congress' \$177 billion tax cut is spread over seven years. President Clinton's \$250 billion 1993 tax hike was only computed over five years.
    - On an annualized basis, Congress' tax cut is only half of Clinton's tax hike: \$25 billion per year in Congress tax cuts versus \$50 billion per year in Clinton tax hikes.
  - He has no meaningful middle class tax cut, but rather a \$500-per-child credit that is phased in slowly and then ended in 2002. The child credit does not become fully available until 1999 and then expires after 2001. During its short and temporary duration, it will only apply to children age 12 and under. That's a two-year, pre-teen tax cut.
- ▶ **His budget relies on cutting America's spending, not Washington's.** With tax increases, the FCC spectrum auction, and other asset sales and fees, he achieves \$90-\$100 billion in new revenues. That is, \$1 out of \$6 he claims in deficit reduction comes not from spending reforms, but from new revenues.
- ▶ **His plan has less overall deficit reduction,** and is still \$37 billion less than Congress' latest offer — that is just one-third of the House's original plan. That means more debt over the seven-year period and an increased likelihood that balance won't happen at all.

- ▶ **He fails to assure Medicare solvency.** Congress' balanced budget proposal maintained solvency of our nation's healthcare system for the elderly through 2017 — well beyond the next generation's retirement in 2010. According to the Office of Management and budget, \$110 billion in savings would be necessary for solvency until just 2008. Clinton saves only \$102 billion.
- ▶ **He uses a Medicare gimmick.** Clinton claims that he has solvency through 2011 but he does this by shifting Home Health Care from Part A to Part B; the result is an unnecessary premium increase to retirees to pay for this gimmick (since he keeps premium rate percentage at 25 percent).
- ▶ **He employs a per-capita cap for Medicaid.** The president's plan limits the amount that can be spent on an individual. This could be a problem in severe cases and sets a problematic precedent.
  - Washington again decides how and how much health care is needed (just like in Clinton's health bill) while Congress passed a bill he vetoed to allow states to make their own decisions about their residents' needs.
  - Because Clinton refuses to make any real reforms in how Medicaid works in particular — or how mandatory spending would work in general — the excessive spending pressures now strangling state and federal governments alike will soon become extraordinary.
  - When the monetary pressure on states resurfaces, the per capita cap is likely to be lowered again and again. This would begin the descent down the slippery slope to rationing that was a prime feature of Clinton's health care plan.
- ▶ **The difference between the two proposals is not as narrow as the president would have people believe.** The significant measure is not the net difference, but the sum of the differences between Congress and Clinton on each of the particular proposals.
  - That difference is \$343 billion — and in each instance Clinton is for more spending and more taxes than Congress. [For details, see RPC paper, "Clinton's Latest Budget Offers More of the Same," 1/17/96.]
  - Clinton wants \$343 billion in more in spending and more in taxes over seven years than does Congress.
- ▶ **One-year budget gimmicks are used to get down to zero in the seventh year.** Clinton's last budget is replete with one-time gimmicks in its last year to drive its deficit figure to zero.

- It postpones until 2002 the sale of the Naval Petroleum Reserve — despite the fact that this delay loses money for the government. Note that this one-time sale will not sustain deficit reduction in any future year.
  - It back loads the FCC spectrum auction to generate over twice the level of receipts in 2002 that are achieved in any other year.
  - It drops three of its four tax cut provisions in 2002.
- Clinton's one-year gimmicks are unlikely to lead to even one-year deficit elimination. By contrast, CBO has stated that Congress' Balanced Budget Act that Clinton vetoed would not only eliminate the deficit in 2002 but produce increasing surpluses thereafter.

The January 6, 1996 offer is Clinton's first — not his "latest" as he claims — because it is the only one of five that has balanced (none of the first four came within \$100 billion of balance, according to CBO). Yet, evidently, Clinton also intends for it to be his last by trying to make it seem the culmination of his negotiation efforts. Hence, Clinton has not really moved toward Congress in a balanced budget context at all (because he has not had one until now) nor has he seriously negotiated.

In contrast, all Congress' offers have been within the balanced budget context and Congress' latest offer is truly bipartisan as it incorporates the Senate welfare reform bill savings figure (that passed 87-12), the Medicaid figure is the House Democrat Coalition (the so-called "Blue Dogs"), and our Medicare figure has the support of 47 House Democrats.

Clinton's last budget is part and parcel of his continuing opposition to balancing the budget. It is a fictitious solution to the nation's budget deficit problem and his own political ones as well. It is no more than another election year conversion to deficit aversion — one that is as likely to be illusory as his 1992 promise of deficit elimination.

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